

Decentralization and Compliance Reviews

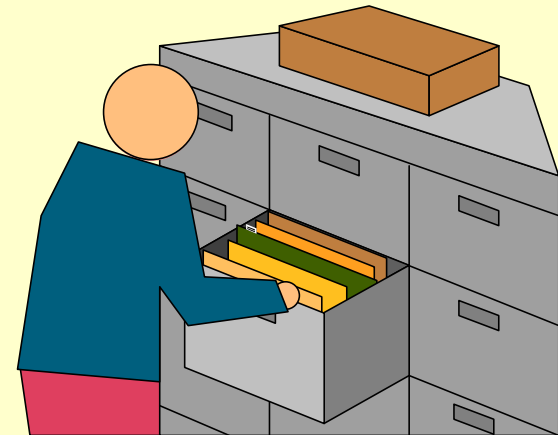
Decentralization

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Decentralization refers to:

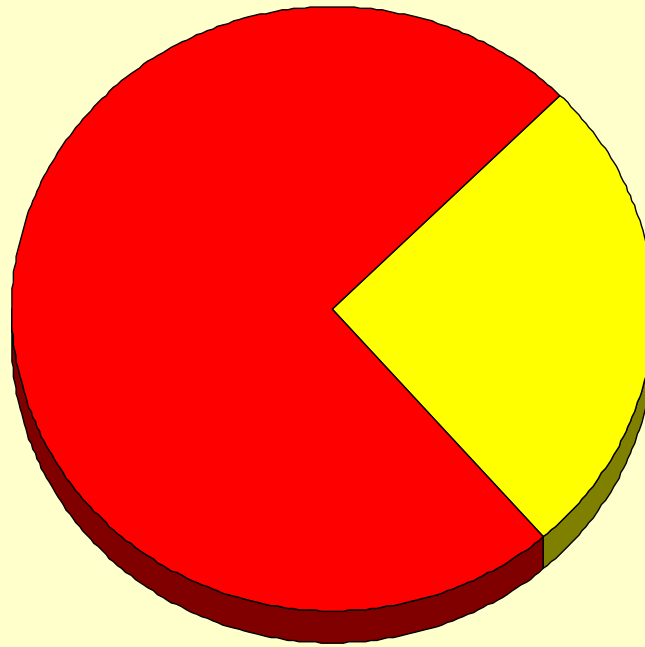
Public Records – Agency assumes the responsibility for maintaining records in accordance with DOA's financial records retention policies.

- **Pre-Audit Responsibilities** – Agency must perform a review to accomplish pre-audit objectives.
- **Subject to Post-Audit** – Agency will be subject to a DOA decentralized compliance review.



Decentralized Agency Document Processing as of July 1, 2005

**Decentralized
Agencies 74%**



**Non-decentralized
Agencies 26%**

Decentralization

Responsibilities of the State Comptroller

Code of Virginia § 2.2-1822 states, “The Comptroller shall not issue a disbursement warrant unless and until he has audited, through the use of statistical sampling or other acceptable auditing techniques the bill, invoice, account, payroll or other evidence of the claim, demand or charge and satisfied himself as to the regularity, legality and correctness of the expenditure or disbursement, and that the claim, demand or charge has not been previously paid.”

Decentralization Pre-Audit

- **The Code of Virginia requires expenditures of state funds to be pre-audited.**
- **Decentralized agencies are subject to the pre-audit requirement, but the majority of paperwork resides with the agency.**
- **DOA delegates the pre-audit function to decentralized agencies via a memorandum of understanding (MOU).**
- **Non-decentralized agencies must submit all financial paperwork to DOA for pre-audit.**

Decentralization

Decentralized Agencies

- **Decentralized agencies sign a memorandum of understanding (MOU) with DOA to ensure that expenditures are properly pre-audited by agency personnel before release into CARS.**
- **Decentralized agencies store documents on site at the agency.**
- **To ensure that decentralized agencies comply with MOUs, agencies are randomly selected for DOA post-audit (compliance review).**

Decentralization

Financial documents no longer sent to DOA by decentralized agencies include:

- **Vendor payments**
- **Travel Expense Reimbursement Vouchers**
- **Revenue Refund Vouchers**
- **Petty Cash Reimbursement Vouchers**
- **Interagency Transfer Vouchers (IATs)
(except for health care IATs)**
- **Agency Transaction Vouchers (ATVs)**

Decentralization Benefits

- **Increased processing time (no pre-audit hold).**
- **Increased prompt payment efficiency – DOA's 7-day processing standard is reduced to 4 days.**
- **Reduced batch copying and mailing costs.**

Standards for Decentralization

- **Unqualified audit opinion**
- **No significant APA management letter findings for payables**
- **Prompt Payment Act compliance**
- **Timely submission of Confirmation of Agency Reconciliation**
- **Timely correction of error file items**
- **Secure, accessible, limited access storage location for records**

Compliance Reviews

Reviews of Decentralized Agencies

- Decentralized agencies are reviewed on a recurring basis. Annual reviews are possible.
- Statistical samples are selected at random from CARS.
- Agencies receive selected vouchers list (to be pulled for DOA) 7-10 business days before the compliance review.
- Documents are sent to the Department of Accounts for the compliance review.

Types of Disbursements Reviewed And Corresponding CAPP Topics

- **Petty Cash – CAPP 20330**
www.doa.state.va.us/Admin_Services/CAPP/CAPP_Topics/20330.pdf
- **Regular Vendor Payments - CAPP 20310**
www.doa.state.va.us/Admin_Services/CAPP/CAPP_Topics/20310.pdf
- **Small Purchase Charge Card – CAPP 20355**
www.doa.state.va.us/Admin_Services/CAPP/CAPP_Topics/20355.pdf
- **Moving and Relocation - CAPP 20345**
www.doa.state.va.us/Admin_Services/CAPP/CAPP_Topics/20345.pdf
- **Travel Reimbursements – CAPP 20335 & 20336**
www.doa.state.va.us/Admin_Services/CAPP/CAPP_Topics/20335.pdf and
www.doa.state.va.us/Admin_Services/CAPP/CAPP_Topics/20336.pdf

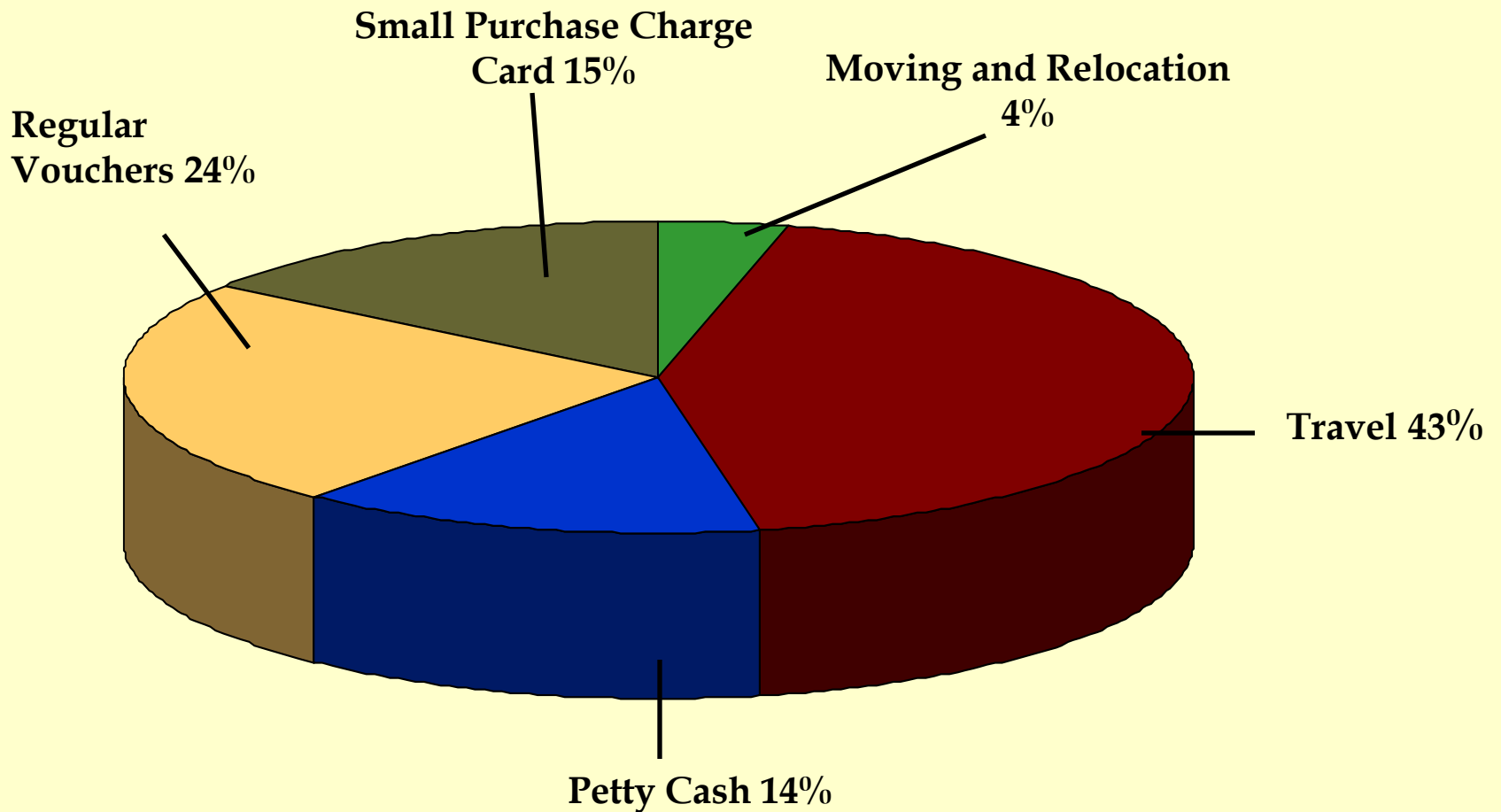
What We Review For: All Disbursement Transactions

- **Sufficient documentation to substantiate the charge**
- **Charges reasonable and necessary to the agency's function**
- **What the documents should tell the auditor about the expenditure:**
 - **Who?**
 - **What?**
 - **When?**
 - **Where?**
 - **Why?**
 - **How?**

Compliance Awareness

Compliance issues are the same for decentralized and non-decentralized agencies.

Compliance Findings for Fiscal 2005



What We Review For: Petty Cash

- **Petty Cash Reimbursement Voucher completed**
- **Petty Cash Reimbursement Voucher certified**
- **Travel Expense Reimbursement Voucher present for all travel reimbursements**
- **All receipts present**
- **Proper amounts reimbursed**
- **Expenditures reasonable and necessary**

What We Review For: Regular Vendor Payments

- **Expenditures reasonable and necessary, considering agency mission**
- **Original invoice present – if copy, must be marked “Certified Copy”**
- **Proper amount reimbursed**
- **Proper due date (different requirements for regular vs. utility and contract invoices)**
- **Discount taken, if offered**

What We Review For: Small Purchase Charge Card

- **Expenditures reasonable and necessary**
- **Original charge card company's statement**
- **Properly completed Cardholder's Purchasing Log approved by supervisor**
- **All supporting documents**
- **Corporate Purchasing Card Request Form and Corporate Purchasing Card Employee Agreement**
- **Agency policies and procedures for SPCC Program**

What We Review For: Moving & Relocation

- **Tenure agreement**
- **Original expense summary**
- **Signed & dated by agency head**
- **Signed & dated by employee**
- **Original invoices**
- **Travel Expense Reimbursement Voucher
may be used for employee payments for
documentation purposes only**

What We Review For: Travel

- **Employee name**
- **Social Security Number**
- **Personal Vehicle Use Statement**
- **Employee status**
- **Traveler's signature, date signed**
- **Supervisor's signature, date signed**
- **Purpose of trip**
- **Expenses detailed by day, not by trip**
- **Receipts attached (i.e., ticket stub or boarding pass for air travel, etc.)**
- **International travel is properly documented**

What We Review For: Travel (continued)

- **Miles traveled – miles are reasonable and commute miles are deducted when necessary**
- **Meals - per diem**
- **Lodging - proper rates & taxes**
- **Addition is correct**
- **Repayment of travel advance is present**
- **Agency head or designee approval for lodging up to 50% over DOA-published limits**
- **DOA pre-approval for lodging > 50%**
- **Estimate for overnight travel > \$500 is completed**
- **Expenditures are reasonable and necessary**

Agency Certification Statement

- **A certification statement appears on CARS batch headers and paper transmittal listings produced by agency financial systems.**
- **Each CARS batch must be certified and bear the original signature of someone already listed on the Authorized Signatories form.**

Did you know that ...?

- **The Fiscal Officer takes personal responsibility by batch certification that each payment is:**
 - **Legal**
 - **Correct**
 - **Payment has not already been made**

Improper Expenditures

- DOA may question any State expenditure per Section 2.2-1822, *Code of Virginia*

[Click here for Code section](#)

- Agency purchases must be essential to agency operation and support the agency's mission.
- Adequate documentation for unusual purchases should always accompany vouchers.

Freedom of Information Act

State expenditures are subject to the Virginia Freedom of Information Act. Any citizen or organization can ask to view any State expenditure document, except payroll items, and these documents must be provided to the requestor. A list of all requests must be presented to the Department of Accounts when the request occurs.

References

- CAPP Manual Topics

- 20335, State Travel Regulations – www.doa.state.va.us/Admin_Services/CAPP/CAPP_Topics/20335.pdf
- 20336, Agency Travel Processing – www.doa.state.va.us/Admin_Services/CAPP/CAPP_Topics/20336.pdf
- 20330, Petty Cash – www.doa.state.va.us/Admin_Services/CAPP/CAPP_Topics/20330.pdf
- 20310, Expenditures – www.doa.state.va.us/Admin_Services/CAPP/CAPP_Topics/20310.pdf
- 20345, Moving and Relocation – www.doa.state.va.us/Admin_Services/CAPP/CAPP_Topics/20345.pdf
- 20355, Purchasing Charge Card – www.doa.state.va.us/Admin_Services/CAPP/CAPP_Topics/20355.pdf

- Internet

- U.S. Department of State, www.state.gov/m/a/als/prdm

- Other

- Code of Virginia, 2.2-1822, <http://leg1.state.va.us/cgi-bin/legp504.exe?000+cod+2.2-1822>
- Appropriation Act – <http://legis.state.va.us/lis/statebudget.htm>

Contacts

- gacct@doa.virginia.gov
- 804-225-3098 – voice
- 804-371-8387 – facsimile
- U. S. Mail:
General Accounting
Virginia Department of Accounts
P. O. Box 1971
Richmond, VA 23218-1971